JOHN ARMSTRONG, Publisher
KEVIN KEANE, Executive Editor
DAN HATFIELD, Editorial Page Editor

THE SUNDAY TIMES
A MediaNews Group Newspaper

"Our liberty depends on freedom of the press and that cannot be limited without being lost."
— THOMAS JEFFERSON

*Editorial*

# Long-awaited good news for county finances

IT HAS BEEN a long time since Contra Costa County has heard good news from a credit rating agency. But thanks to some wise fiscal decisions this past year, the county will take in more than it spends for the first time in four years.

That is why Moody's Investors Service removed its "negative outlook" for Contra Costa County's long-term bond rating. As a result, the county will save about $360,000 in additional insurance costs when it borrows money for capital improvements in the spring, according to County Administrator John Cullen.

The money saved by boosting Contra Costa's credit rating from Aa3, the lowest of the top-level rankings, to Aa2 is far better used on county services than in borrowing costs.

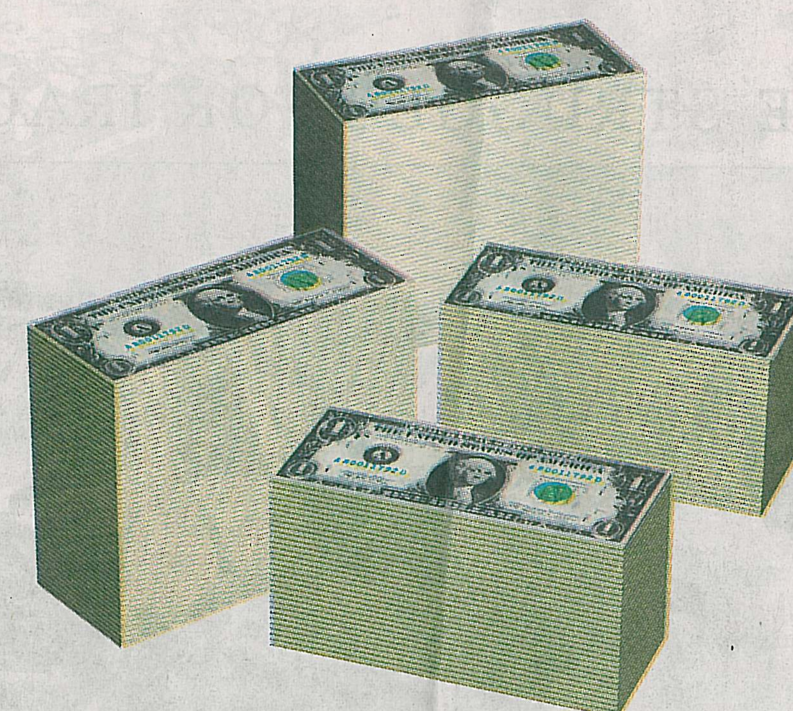
While $360,000 is only a tiny fraction of the county's $1.25 billion budget, the savings is a positive indicator that the county is getting back on a sound financial track.

Under Cullen's leadership and a more fiscally responsible Board of Supervisors, Contra Costa County has acted in a positive manner to cut costs and still deliver essential services.

For example, supervisors initiated a partial hiring freeze, minimized employee pay raises and cut $20 million in services.

The new contract with two-thirds of the county's 8,500 workers calls for 4 percent raises over three years and a one-time $1,500 bonus. That is far less generous than the previous contract.

Had a similar contract been in effect, there would have been substantially less red ink and likely no reduction in the county's credit rating.


MCT FILE ILLUSTRATION

Moody's was pleased about the new contract and expects it to enable the county to balance budgets in the future. Standard & Poor's, another credit rating firm, is still wary of Contra Costa's finances and would like to see a few successive years of balanced budgets.

Much of the county's fiscal problems stemmed from overly generous increases in the pension plan for county employees. The huge pension increases in 2002 ignored expert actuarial advice and made unwise assumptions about projected pension fund earnings.

As a result, the county piled up a $1.2 billion pension system shortfall in just four years.

Another cloud that remains over a brighter county fiscal landscape is the continuing huge liability for retiree health care benefits for thousands of current and retired employees.

The county picks up almost all of the tab for a generous health care plan that has a growing number of beneficiaries.

Last summer, a county grand jury said Contra Costa should make increased payments into a fund for retiree benefits. However, supervisors disagreed, pointing out that the county is requiring higher co-payments and that they did not want to cut back on services too deeply.

Cullen understands the long-term pension and health care costs. He agrees that the county needs to continue to address the benefit liability problem.

Further changes in health and pension benefits over the coming years would help. Also, the county is expected to have increased revenues now that the state is not taking as large a share of local property taxes as it has in the past.

What supervisors and county officials must continue to avoid is approving employee contracts that are far more generous than those offered by the private sector, which provides the tax revenues.

Also, grand jury recommendations should not be dismissed out of hand, as they were a few years ago, when a grand jury warned of coming deficits.